

Message Text

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TAGS: ETRD, EFIN, OECD

SUBJECT: APRIL 30 TC MEETING: UK INFLATION INSURANCE,

AUSTRALIAN MEASURES, FRENCH CREDIT MEASURES

REF:A. OECD 10455, B. OECD 7854, C. STATE 096205

1. UK INFLATION INSURANCE: US DEL SHOULD DRAW ON FOLLOWING POINTS DURING DISCUSSION OF TCWP REPORT ON PROPOSED UK COST OF PRODUCTION INSURANCE PLAN :

A. THE US WELCOMES AND SUPPORTS THE TCWP RECOMMENDATION THAT THE OECD EXAMINATION BE GENERALIZED TO INCLUDE ALL SUCH INSURANCE SCHEMES. WE BELIEVE A GENERIC EXAMINATION

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TION, DRAWING ON SPECIFIC EXAMPLES OF SUCH PROGRAMS ALREADY ADOPTED OR PROPOSED WILL BEST SERVE THE OBJECTIVE OF EXPOSING THE DAMAGING EFFECT THESE MEASURES HAVE ON NORMAL TRADE PATTERNS AND ON NATIONAL TREASURIES. AN OECD EXAMINA-

TION SHOULD MAKE CLEAR BOTH THE SUBSIDIZING EFFECT (I.E. DRAIN ON THE TREASURY) OF THESE "INSURANCE" PLANS AND THE DANGERS OF PROLIFERATION. THE RESULTS HOPEFULLY WOULD (1) STIFFEN THE RESISTANCE OF THOSE GOVERNMENTS UNDER PRESSURE TO ADOPT SUCH MEASURES, AND (2) GOVERNMENTS WITH SUCH PROGRAMS TO LIMIT OR ELIMINATE THEM.

B. WE BELIEVE THAT, CONTRARY TO THE POSITION TAKEN BY UK AND CANADA IN THE TCWP, WHO WISH TO TRANSFER THE PROJECT TO THE EXPORT CREDIT GROUP (REF B), EXAMINATION

OF THE INSURANCE SCHEMES SHOULD BE RETAINED IN THE TCWP. WE VIEW THESE SCHEMES (UNDER PRESENTLY FORESEEABLE ECONOMIC CONDITIONS AT LEAST) AS DOMESTIC SUBSIDIES TO EXPORTERS. AS SUCH, COST INFLATION INSURANCE IS DISCRETE AND SEPARATE FROM ISSUES OF CREDIT AND INSURANCE ON EXPORT SALES NORMALLY HANDLED BY THE EXPORT CREDIT GROUP. FROM A PRACTICAL VIEWPOINT, THE EXPORT CREDIT GROUP WILL HAVE ITS HANDS FULL WITH THE GENTLEMEN'S AGREEMENT AND OTHER MATTERS, AND MEETS INFREQUENTLY. BECAUSE WE WOULD LIKE TO SEE A REPORT ON THIS SUBJECT BE ISSUED AS SOON AS POSSIBLE SO THAT ITS DETERRENT EFFECT WOULD BE QUICKLY FELT, WE FAVOR RETAINING THE EXAMINATION IN THE TCWP.

C. THE US SUPPORTS FORWARDING THE TCWP REPORT ALREADY IN HAND (TC(75)9), ALONG WITH A REPORT OF FURTHER TC ACTION TAKEN RE OECD EXAMINATION OF COST OF PRODUCTION INSURANCE IN APRIL 30 MEETING TO THE COUNCIL. (REF A)

2. AUSTRALIAN MEASURES: IN CONJUNCTION WITH TCWP CHAIRMAN'S ORAL REPORT ON AUSTRALIAN ACTIONS, US DEL SHOULD NOTE THAT SINCE THE TCWP CONSIDERATION OF AUSTRALIAN TRADE POLICY IN LATE MARCH THE GOA HAS TAKEN ADDITIONAL TRADE RESTRICTIVE MEASURES ON OPHTHALMIC AND SUNGLASS FRAMES AND SUNGLASSES (QRS), PRECISION GROUND STEEL BALLBEARINGS (TARIFF QUOTAS) AND CERTAIN MONOCHROME LIMITED OFFICIAL USE
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TV RECEIVERS (TYPE OF ACTION YET TO BE REPORTED) AND IS CURRENTLY STUDYING RESTRICTIVE MEASURES ON OTHER ITEMS, NAMELY, PVC TAPES, SYRINGES, NEEDLES, AIR-CONDITIONERS, AND FLOOR COVERINGS. US DEL SHOULD EXPRESS CONTINUING US CONCERN THAT AUSTRALIAN TRADE POLICY APPEARS TO BE PROGRESSING IN THE SAME NEGATIVE DIRECTION WHICH WAS EVIDENCED IN THE TCWP CONSULTATIONS IN LATE MARCH AND SHOULD EXPRESS HOPE THAT THE TCWP WRITTEN REPORT OF THE CONSULTATIONS WILL BE AVAILABLE AT THE EARLIEST POSSIBLE DATE FOR SUBMISSION TO THE TC. YOU SHOULD URGE THAT THE OECD KEEP THIS PROBLEM UNDER CLOSE CONSIDERATION LEAVING OPEN THE POSSIBILITY OF ANOTHER CONSULTATION ON THIS

MATTER IN THE NEAR FUTURE.

3. FRENCH CREDIT MEASURES: US DEL SHOULD NOT RAISE FRENCH CREDIT MEASURES AT THE APRIL 30 MEETING AS THIS MIGHT INTERFERE WITH THE LINE OF ACTION SPELLED OUT IN REF. C. IF FRENCH MEASURES ARE RAISED BY ANOTHER DEL, US MAY SAY THAT WE REMAIN CONCERNED ABOUT THE EFFECT THE MEASURES WILL HAVE ON TRADE, AND THAT WE HOPE CONSULTATIONS ON THIS MATTER WILL TAKE PLACE SHORTLY. KISSINGER

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